

Message Text

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ACTION AID-59

INFO OCT-01 EA-11 ISO-00 AGR-20 IGA-02 CIAE-00 INR-10

NSAE-00 RSC-01 COME-00 TRSY-11 EB-11 DRC-01 /127 W

----- 022429

P R 230738Z APR 74

FM AMEMBASST SAIGON

TO SECSTATE WASHDC PRIORITY 3979

INFO AMEMBASSY PHNOM PENH

AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

AMEMBASSY SEOUL

AMCONSUL DANANG

AMCONSUL NHA TRANG

AMCONSUL BIEN HOA

AMCONSUL CANTHO

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E. O. 11652: N/A

TAGS: EAGR, VS

SUBJ: RICE SITREP FOR MARCH 1974 - CERP 4012

REF: SAIGON 3815

1. SUMMARY. SUBSTANTIAL MARCH IMPORT ARRIVALS AND CONTINUED LARGE DELTA DELIVERIES HAVE BROUGHT SAIGON AND CENTRAL VIETNAM PUBLIC AND PRIVATELY-HELD STOCKS TO THE HIGHEST LEVELS IN SEVERAL YEARS. CENTRAL VIETNAM DELIVERIES CONTINUED AT A RECORD HIGH LEVEL. RECENT CONTRACT PRICE INCREASES AND BONUS ALLOWANCES HAVE RESULTED IN A MODEST IMPROVEMENT IN NFA'S DOMESTIC RICE PROCUREMENT PROGRAM. AT THE SAME TIME, INCREASES IN OFFICIAL SELLING PRICES FOR BOTH IMPORTED AND DOMESTIC RICE AND DISTRIBUTION POLICY CHANGES REPORTED REFTEL HAVE LED TO SUBSTANTIAL REDUCTIONS IN ISSUANCES FROM GOVERNMENT STOCKS. SOME RESULTS OF ALL THIS ARE A ROUGHLY 15 PERCENT DECREASE IN MARCH APPARENT CONSUMPTION, STABLE RICE PRICES THROUGHOUT MOST OF THE COUNTRY, SHARP DECLINES IN MR-1 RICE PRICES, AND AN

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APPARENT SLOWDOWN IN MARKETING ACTIVITY IN THE DELTA. DESPITE

THE HIGH STOCK LEVEL AND STABLE RICE PRICES, A GROWING CONCERN OVER MID AND LATE YEAR PROSPECTS IS NOTED. THE MAIN REASON FOR THIS IS THE GROWING DISPARITY BETWEEN PADDY PRICES AND THE COSTS OF PRODUCTION INPUTS.

2. END MARCH SAIGON AND CKZNTRAL VIETNAM STOCKS (1,000 MT)

SAIGON IMPORTED	84.7
SAIGON DOMESTIC	59.6
SAIGON PRIVATE	19.0
DEFICIT PROVINCES	58.2
TOTAL	221.5

3. APPARENT MARCH CONSUMPTION (1,000 MT)

END FEBRUARY STOCKS	150.0
MARCH DELTA DELIVERIES	66.0
MARCH IMPORTS	70.5
TOTAL AVAILABLE	286.5
MINUS END MARCH STOCKS	221.5
EQUALS MARCH APARENT CONSUMPTION	65.0

4. MARCH IMPORTS WERE 70,534 MT, INCLUDING 5,237 MT TO COMPLETE GKR REPAYMENTS OF 1973 GVN LOANS, 40,089 MT FROM PA 45-757, 10,406 MT FROM PA'S 45-752 AND 753 AND 14,802 MT FROM PA 45-761. TOTAL IMPORTS FOR FIRST QUARTER 1974 WERE 172,407 MT. THIS TOTAL REFLECTS A DOWNWARD ADJUSTMENT OF 1,000 MT IN THE PREVIOUSLY REPORTED FIGURE FOR FEBRUARY DUE TO OVERSTATED AMOUNT OF GKR REPAYMENT RICE FROM PRESIDENT JACKSON. FEBRUARY APPARENT CONSUMPTION WOULD BE ADJUSTED TO 72.6 FROM 73.6.

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5. DELTA DELIVERIES FOR MARCH WERE 66,029 MT. THE CUMULATIVE TOTAL JANUARY THROUGH MARCH 1974 IS 205,328 MT. APRIL DELIVERIES THROUGH THE 19TH ARE 25,292 MT AND ARE RUNNING AT A RATE SOME 30 PERCENT BELOW MARCH'S LEVEL.

6. SELLING PRICE AND DISTRIBUTION POLICY CHANGES REPORTED REFTTEL HAVE HELPED HOLD DOWN ISSUANCES FROM NFA STOCKS AND ARE PROBABLY A KEY FACTOR IN THE REDUCED APPARENT CONSUMPTION FIGURE FOR MARCH.

FIRST QUARTER NFA ISSUANCES WERE AS FOLLOWS (ALL FIGURES IN MT).

MONTH	IMPORTED	DOMESTIC	TOTAL
JANUARY	26,256	9,000	35,256
FEBRUARY	20,120	5,917	26,037
MARCH	17,629	5,839	23,468
TOTALS	64,005	20,756	84,761

7. AS PROJECTED REFTEL THE HIGHER NFA CONTRACT PURCHASE PRICE BROUGHT IN ONLY MODESTLY INCREASED AMOUNTS OF DOMESTIC RICE. CONTRACTS FOR MARCH TOTALLED 29.287 MT AND APRIL TOTALS THUS FAR ARE JUST OVER 10,000 MT. THE CUMULATIVE FIGURE FOR 1974 IS A BIT UNDER 50,000 MT. HOWEVER, NFA IS NOW OFFERING BONUSES ON TOP OF THE BASIC PURCHASE PRICE AND CONTRACT SIGNINGS MAY PICK UP SOMEWHAT IN THE LAST PART OF APRIL. FURTHER PURCHASES WILL HAVE TO BE DEPEND ON PERIODIC INCREASES IN CONTRACT OFFERING PRICES AND FURTHER BONUSES DURING THE REMAINDER OF THE YEAR.

8. PRIVATE SECTOR DELIVERIES TO CENTRAL VIETNAM IN MARCH WERE 26,761 MT, A RECORD HIGH FOR THE SECOND MONTH IN A ROW. TOTAL FIRST QUARTER 1974 DELIVERIES WERE 62,863 MT. FOR THE MOMENT STOCKS ARE HIGH IN CENTRAL VIETNAM AND RICE PRICES ARE STABLE. SPECIAL CREDITS TO CENTRAL VIETNAM MERCHANTS ARE BEING CONTINUED TO ENSURE MAXIMUM POSSIBLE DELIVERIES. MALCEWTANE PGOOD DELIVERIES IS MADE MORE IMPERATIVE BY REPORTS FROM MR-1 WHICH INDICATE LOSSES OF UP TO 40 PERCENT MORE THAN NORMAL FROM THIRD LUNAR MONTH CROP.

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9. HOWEVER, THE GENERALLY FAVORABLE SHORT TERM SUPPLY AND PRICE CONDITIONS DESCRIBED ABOVE ARE NOT THE WHOLE STORY. BECAUSE OF ZOOMING PRODUCTION INPUT COSTS THE RATE OF RETURN TO THE PADDY FARMER IS RAPIDLY DIMINISHING. THE INCENTIVE TO INCREASE PRODUCTION THROUGH GREATER USE OF INPUTS SUCH AS FERTILIZER, PESTICIDES AND DEISEL-DRIVEN WATER PUMPS NOW SEEMS THREATENED. IF THE INCREASE IN COSTS CONTINUES, AND IS NOT OFFSET BY RISING PADDY PRICES, PADDY PRODUCTION IS LIKELY TO DECLINE IN THE 1974/75 CROP.

10. PRICES

A. DELTA PADDY AT THE MILL (WEIGHTED AVERAGE PER 100 KILOS)

NOV 1 DEC 1 JAN 1 FEB 1 MAR 8 APR 1

HIGH QUALITY 9,278 10,702 10,016 10,325 10,725 10,463

MEDIUM QUALITY 8,523 9,600 9,198 9,236 9,823 9,723

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B. SAIGON WHOLESALE RICE PRICES (100 KILOS)

JAN 21 FEB 18 MAR 11 APR 1 APR 15

NANG HUONG 22,000 20,000 19,500 18,800 19,200

SOC NAU 15,000 16,100 16,200 16,000 15,900

NO. 1, 25

PERCENT 14,200 15,500 15,500 15,600 15,500

MIRACLE RICE 14,000 15,100 15,500 15,600 15,600

C. SAIGON RETAIL RICE PRICES (1000 KILOS)

JAN 21 FEB 18 MAR 1 APR 1 APR 15

NANG HUONG 23,000 21,500 21,500 20,800 21,200

SOC NAU 16,500 17,200 17,300 17,200 17,200

NO. 1, 25

PERCENT 15,600 16,500 16,700 16,800 16,700

U.S. MEDIUM 15,200 15,500 16,500 16,500 16,500

U.S. LONG 16,500 17,000 17,800 17,800 17,800

11. THE CURRENT HIGH LEVEL OF GOVERNMENT AND PRIVATE SECTOR STOCKS THROUGHOUT THE COUNTRY IS KEEPING RICE PRICES STABLE AND PROBABLY CONTRIBUTING TO THE SLOWDOWN OF DELTA DELIVERIES AND THE SLIGHT LOWERING OF PADDY PRICES. WHILE STABLE RICE PRICES ARE WELCOME, LOWER PADDY PRICES ARE NOT, ESPECIALLY IN LIGHT OF HIGH PRODUCTION INPUT COSTS AND IMMINENCE OF FARMER DECISIONS FOR THE WET CROP PLANTINGS IN THE DELTA. PADDY AND RICE PRICES ARE EXPECTED TO RISE SEASONALLY OVER THE NEXT TWO OR THREE MONTHS.

12. WHILE THE FOOD SIDE OF THE USAID RETAIL PRICE INDEX HAS RISEN 13 PERCENT THUS FAR IN 1974, RICE PRICES HAVE RISEN NOT AT ALL OR ONLY MODESTLY. THE PRICE OF SOC NAU CURRENTLY SHOWS A ZERO PERCENT INCREASE OVER YEAR'S END WHILE THE PRICE OF NUMBER 1, 25 LIMITED OFFICIAL USE

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PERCENT BROKENS HAS RISEN ONLY 2 PERCENT DESPITE CONSISTENTLY HEAVY BUYING PRESSURE FROM CENTRAL VIETNAM MERCHANTS. HIGH QUALITY HANG HUONG RICE PRICES HAVE ACTUALLY DECLINED 14 PERCENT OVER YEAR-END LEVELS. DECON AFTER DEC. 31, 1974. MARTIN

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